

## Message Text

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E.O. 11652: GDS  
TAGS: AMGT, PFOR, SP  
SUBJ: PARM - ANNUAL POLICY AND RESOURCES ASSESSMENT --  
SPAIN: PART I

REF: STATE 038356, STATE 041169, CERP-0001

THE POLICY AND RESOURCES ASSESSMENT, WHICH I HAVE PERSONALLY REVIEWED AND APPROVED, REPRESENTS THE EFFORTS OF ALL CONCERNED ELEMENTS OF THE MISSION AND CONTAINS, AS WELL, DISSENTING OPINIONS WHERE THE EXIST.

A. U.S. INTERESTS

PRINCIPAL UNITED STATES INTERESTS HERE FOLLOW.  
THESE INTERESTS ARE IN MOST CASES CLOSELY INTER-RELATED AND MUTUALLY REINFORCING.

INTEREST NO. 1 -- FULL INTEGRATION OF A DEMOCRATIC AND STABLE SPAIN INTO THE WESTERN COMMUNITY THROUGH:  
(A) A SUCCESSFUL SPANISH DEMOCRATIC EVOLUTION THAT WILL (1) ESTABLISH THE FOUNDATION FOR LONG-TERM DEMOCRATIC POLITICAL STABILITY; (2) PRODUCE A SPAIN IN TUNE WITH AND SUPPORTIVE OF THE POLITICAL IDEALS OF THE WESTERN COMMUNITY, INCLUDING RESPECT FOR HUMAN RIGHTS AND FULL POLITICAL FREEDOMS; AND (3) QUALIFY SPAIN FOR ENTRY INTO WESTERN DEFENSE, POLITICAL AND ECONOMIC INSTITUTIONS.  
(B) SPANISH ENTRY INTO NATO AND THE EEC AS EXPEDITIOUSLY AS PRACTICAL, IN ORDER TO CONSOLIDATE (1) PROGRESS WITHIN SPAIN AND (2) SPANISH COMMITMENT TO THE WESTERN COMMUNITY.

INTEREST NO. 2 -- A STABLE, GROWING SPANISH ECONOMY, AS A NECESSARY CONDITION FOR SUCCESSFUL DEMOCRATIC  
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EVOLUTION AND FOR A STRONG POSITIVE SPANISH CONTRIBUTION TO THE ATLANTIC AND EUROPEAN COOOANITIES.

INTEREST NO. 3 -- A GROWING SPANISH MARKET FOR U.S.A EXPORTS AND A HOSPITABLE ENVIRONMENT FOR U.S. INVESTMENTS.

INTEREST NO. 4 -- THE FULLEST OPERATIONAL FLEXIBILITY IN THE CURRENT USE OF MILITARY FACILITIES HERE CONSISTENT WITH MUTUAL COMPLIANCE WITH THE TERMS OF THE TREATY, WHILE MINIMIZING POLITICAL CONTROVERSY OVER THE U.S. MILITARY PRESENCE AND CREATING THE BASIS FR A CLOSE FUTURE DEFENSE RELATIONSHIP.

INTEREST NO. 5 -- SPANISH COOPERATION WITH REGARD TO NUCLEAR NON-PROLIFERATION.

INTEREST NO. 6 -- A CONSTRUCTIVE SPANISH ROLE IN MAJOR MULTILATERAL FORUMS, AND ALSO WITH RESPECT TO

LATIN AMERICA, IN THE MEDITERRANEAN AND THE MIDDLE EAST.

INTEREST NO. 7 -- CONTINUANCE OF EQUITABLE TREATMENT FOR THE LARGE NUMBER OF AMERICAN CITIZENS WHO LIVE, VISIT AND WORK IN SPAIN.

B. OVERVIEW

THE INTIMATE QUALITATIVE RELATIONSHIP OF THESE SEVEN INTERESTS TO UNITED STATES GLOBAL AND EUROPEAN INTERESTS IS SELF-EVIDENT. THE QUANTITATIVE RELATIONSHIP IN TERMS OF MODERN SPAIN'S POTENTIAL WEIGHT IN WORLD AND REGIONAL AFFAIRS IS NOT SO READILY APPRECIATED BECAUSE OF PAST STEREO-TYPES. THE SPAIN OF 1977 IS NO LONGER A SMALL, POOR, ISOLATED, AGRICULTURAL COUNTRY. RATHER, IT IS A MEDIUM-SIZED  
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COUNTRY (POPULATION 35 MILLION) WITH A PERCAPITA GNP OF \$2,800, WITH A NATIONAL INCOME RANKING FIFTH IN WESTERN EUROPE (AHEAD OF SWEDEN AND THE NETHERLANDS), AND WITH A LEVEL OF EXPORTS RANKING JUST BEHIND DENMARK AND BRAZIL. MOREOVER, ITS LEADERSHIP HAS AMBITION FOR A STRONGER INTERNATIONAL ROLE IN THE FUTURE. NEVERTHELESS, SPAIN IS STILL A COUNTRY WITH SEVERE INEQUALITIES OF INCOME AND OPPORTUNITY BY CLASS AND REGION AND WITH ANACHRONISTIC IMBALANCES IN THE STRUCTURE OF ITS ECONOMY.

-- SPANISH INTERESTS, AND THEIR INTERPLAY WITH OURS:

SPANISH INTERESTS AS PERCEIVED BY THE PRESENT GOVERNMENT, AND PROBABLY BY THE ONE IMMEDIATELY SUCCEEDING IT AFTER MID-1977 ELECTIONS (BUT NOT NECESSARILY BY FOLLOWING GOVERNMENTS), ARE BROADLY CONSONANT WITH THE PRINCIPAL UNITED STATES INTERESTS, BUT THERE ARE SIGNIFICANT NUANCES OF DIFFERENCES:

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-- SPAIN IS SOMEWHAT UNCOMFORTABLE WITH THE  
DEGREE OF ITS DEPENDENCE ON THE U.S., PARTICULARLY  
IN THE DEFENSE FIELD. IT TENDS TO REACT AT TIMES  
AGAINST U.S. POSITIONS, PARTLY TO DEMONSTRATE ITS  
INDEPENDENCE, AND IT IS POSSIBLE THAT UNDER A  
PARLIAMENTARY DEMOCRACY THERE MAY BE A SHARP LOOK  
AT US-SPANISH MILITARY RELATIONSHIPS.

-- THERE IS NO ASSURANCE THAT THE NEXT SPANISH  
GOVERNMENT, WHICH UNDER SUAREZ' LIKELY CONTINUED  
LEADERSHIP SHOULD BE FAVORABLE TO SOME FORM OF

NATO ENTRY, WILL BE IN A POSITION ACTUALLY TO MOVE  
THE NEW CONSTITUENT PARLIAMENT AND NATIONAL OPINION  
TOWARD EARLY MEMBERSHIP IN NATO.

-- VESTED SPANISH ECONOMIC INTERESTS WILL WISH  
TO BE MOST DELIBERATE ABOUT ENTRY INTO THE EEC.

-- SPANISH POLITICAL LEADERSHIP IS HESITANT TO  
FACE THE DIFFICULT ISSUES INVOLVED IN RATIONALIZING  
THE SPANISH ECONOMY.

-- SPAIN IS CONCERNED OVER THE RELIABILITY OF  
THE UNITED STATES AS A SOURCE OF ENRICHED URANIUM  
AND OF NUCLEAR TECHNOLOGY AND IS NOT NOW PREPARED  
TO ADHERE TO THE NUCLEAR NON-PROLIFERATION AGREEMENT.

-- THE STRAITS EQUATION:

THE CLAIMS OF MOROCCO TO THE SPANISH AFRICAN  
PRESIDIOS OF CEUTA (ACROSS FROM GIBRALTAR) AND  
MELILLA, COUPLED WITH THE SPANISH CLAIM FOR  
GIBRALTAR, COULD ULTIMATELY AFFECT OUR STRATEGIC  
INTERESTS IN THE STRAITS. THE SPANISH MAY WELL  
INSIST ON SOME ARRANGEMENT FOR RETURNING SPANISH  
SOVEREIGNTY TO GIBRALTAR AS THE POLITICAL QUID  
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FOR ENTRANCE INTO NATO. BEYOND THAT, THE SPANISH  
ARE GENUINELY CONCERNED ABOUT THE CANARIES AND THE  
WESTERN MEDITERRANEAN. CONSEQUENTLY, PREOCCUPATION  
TOWARD THE SOUTH REMAINS.

-- SPAIN'S EXPANDING INTERESTS TOWARDS LATIN AMERICA  
AND THE ARAB WORLD:

SPAIN SHOWS INCREASING REAL INTEREST IN LATIN  
AMERICA, REFLECTING IN PART A BELIEF THAT DEMOCRATIC  
STATUS MAKES HER MORE ATTRACTIVE, IN PART AN EFFORT  
TO EXPAND COMMERCIAL INTERESTS, AND IN PART A DESIRE  
TO MAKE HER WEIGHT FELT MORE HEAVILY IN THE WORLD.  
THERE CAN BE NO AUTOMATIC ASSUMPTION, HOWEVER, THAT  
SPAIN'S ACTIVITIES IN LATIN AMERICA WILL NOT CLASH  
WITH OURS IN SOME SITUATIONS.

THE ARAB INTEREST DATES FROM FRANCO'S DAY, BUT  
IS NOW ENHANCED BY SPAIN'S HOPE TO REDRESS HER  
ECONOMIC PROBLEMS BY GETTING PETRO-DOLLARS IN  
SOME FASHION. SPAIN IS FRANKLY PRO-ARAB, AND HAS  
CONDITIONED HER ESTABLISHING DIPLOMATIC RELATIONS WITH  
ISRAEL ON MOVEMENT TOWARD THE SATISFACTION OF CERTAIN ARAB

DEMANDS, PARTICULARLY WITH REGARD TO ISRAELI WITHDRAWAL FROM OCCUPIED TERRITORIES AND RECOGNITION OF THE PALESTINE RIGHT FOR A HOMELAND.

-- A PERCEPTION OF WESTERN EUROPEAN INTERESTS:

WE ASSUME THE SOVIET UNION DESIRES, AND WILL ATTEMPT WITH ITS LIMITED LEVERAGE TO EFFECT, A POLITICAL EVOLUTION TOWARD A NON-ALIGNED SPAIN (OUT OF NATO) AND ONE IN WHICH (DESPITE SOVIET DISLIKE OF CARILLO) THE SPANISH COMMUNISTS (PCE) PLAY AN INCREASINGLY INFLUENTIAL ROLE. GIVEN THE CURRENT AND LIKELY FUTURE THRUST OF THE SPANISH TRANSITION

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AND THE POLITICAL STRENGTH OF THE RIGHT, CENTER AND MODERATE LEFT VIS-A-VIS THE PCE, WE EXPECT THE SOVIETS TO PURSUE A PRAGMATIC, LOW-RISK COURSE SUPPORTIVE OF LONG-TERM GAINS, WHILE AT THE SAME TIME TAKING ADVANTAGE OF TARGETS OF OPPORTUNITY AS THEY MAY ARISE.

-- A FORWARD LOOK AT THE SPANISH SITUATION:

SPAIN HAS MADE REMARKABLE PROGRESS TOWARD DEMOCRATIZATION IN THE YEAR AND ONE-HALF SINCE FRANCO'S DEATH. THIS HAS ALSO BROUGHT PROGRESS IN THE FIELD OF HUMAN RIGHTS THOUGH THE BEHAVIOR OF INTERNAL SECURITY FORCES IS NOT YET ALWAYS IN TUNE WITH THE INTENTIONS OF THE GOVERNMENT. NOW FREE ELECTIONS FOR A BICAMERAL PARLIAMENT WITH CONSTITUENT FUNCTIONS WILL TAKE PLACE ON JUNE 15.

GIVEN SPANISH HISTORY, THE MAKEUP OF INDEPENDENT-MINDED SPANISH SOCIETY AND THE RESIDUAL VIOLENCE THAT HAS CLOUDED THE POLITICAL EVOLUTION, POLITICAL POLARIZATION IS TO BE FEARED ABOVE ALL ELSE.

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IN THE JUNE ELECTIONS A SIGNIFICANT PLURALITY  
FOR THE CONSERVATIVE ALIANZA POPULAR--WHICH PRESENTS  
MORE AND MORE A HARD NEO-FRANCOIST IMAGE, (ITS  
LEADER, FRAGA, WHO IS NOT A FRANCOIST IN THE TRUE  
SENSE, HAS AN AUTHORITARIAN BENT) WOULD POLARIZE.  
A GOVERNMENT IN WHICH THE ALIANZA POPULAR IS THE  
LEADING ELEMENT WOULD BE FLAWED AT THIS TIME IN  
THREE WAYS--A TENDENCY TO ENGAGE IN REPRESSION  
INSTEAD OF CONCILIATION, A CONFLICT OF PERSONALITIES  
AND PHILOSOPHY BETWEEN IT AND THE KING (WHOSE  
RELATIONS WITH FRAGA ARE MOST UNCOMFORTABLE), AND

AN INABILITY TO DIALOGUE WITH THE DEMOCRATIC LEFT AND NON-COMMUNIST LABOR, MAKING IT DIFFICULT TO PRODUCE A CONSTITUTION, MUCH LESS A WORKABLE ECONOMIC PROGRAM. LATER IT MAY BE THAT SOME OF THE MORE RIGHTIST ELEMENTS OF ALIANZA POPULAR WOULD BREAK OFF AND THE ALIANZA POPULAR WOULD EVOLVE TO GREATER MODERATION.

A PLURALITY FOR THE SOCIALISTS WOULD ALSO POLARIZE (AND PUT INTO POSITIONS OF POWER THOSE NOW WITHOUT EXPERIENCE OR COMPETENCE) BUT THIS IS NOT IN THE CARDS. A SIGNIFICANTLY LARGER VOTE THAN NOW EXPECTED (6-10 PERCENT) FOR THE COMMUNISTS (PCE) MIGHT POLARIZE, BECAUSE IT WOULD ENGENDER RIGHT WING, CENTER-RIGHT AND MILITARY, REACTION, BUT THIS IS NOT LIKELY EITHER.

AN ADEQUATE CENTRIST PLURALITY RETAINING SUAREZ AT LEAST THROUGH THE CONSTITUENT PERIOD--THE MOST LIKELY OUTCOME--WOULD IMPLY THE CONSENSUAL APPROACH NECESSARY IF THE FLEDGLING DEMOCRACY IS TO PROSPER. SUCH AN APPROACH WOULD, OF COURSE, REQUIRE THE ALTERNATING SUPPORT OF AP AND THE SOCIALISTS. BUT WHILE COMPETING FORMULAS FOR A MEASURE OF CENTRIST UNITY ARE BEING OFFERED, THERE IS AS YET NO CONSENSUS

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AMONG THE VARIOUS CENTRIST FORMATIONS (CHRISTIAN DEMOCRATS, PARTIDO POPULAR, PLUS ASSORTED SOCIAL DEMOCRATS AND LIBERALS) AS TO HOW TO CONSTRUCT THE NECESSARY DEGREE OF ELECTORAL COOPERATION.

THE CENTER HAS NO PRESENT NATURAL LEADER OTHER THAN SUAREZ AND WOULD WANT SUAREZ--THE MAN MOST OBVIOUSLY FITTED BY TALENT AND POPULARITY TO LEAD THE GOS THROUGH THE CONSTITUENT PERIOD--TO STAY AS PRIME MINISTER. (LEGALLY HE CAN STAY, BUT WITHOUT ADEQUATE PARLIAMENTARY BACKING HE MIGHT FIND IT POLITICALLY IMPOSSIBLE.) BUT THE ISSUE OF WHETHER HE SHOULD TAKE A PARTISAN LEAD IN THE ELECTIONS RAISES SUSPICIONS OF A GOVERNMENT IMPOSITION, NOT ONLY IN THE AP WHICH SEES HIM AS A DIRECT THREAT TO THEIR ELECTORAL ASPIRATIONS, BUT ALSO AMONG THE SOCIALISTS AND EVEN SOME CENTRISTS. AND THE ALIANZA IS TRYING TO USE THE FUROR OVER PCE LEGALIZATION TO LIMIT HIS ELECTORAL OPTIONS. THESE ISSUES--TOGETHER WITH THE FAILURE THIS FAR OF THE CENTER PARTIES TO DO AS MUCH ORGANIZATIONAL WORK IN THE PROVINCES AS EITHER THE RIGHT OR THE LEFT--NOW CLOUD THE ELECTORAL OUTLOOK, EVEN THOUGH THE CENTER



WITH SUAREZ AS ITS LEADER LOOKS INTRINSICALLY THE  
STRONGEST FORMATION IN A PARLIAMENT WHERE NO  
POLITICAL GROUP WILL HAVE AN ABSOLUTE MAJORITY.

-- THE MAJOR MID-TERM UNCERTAINTIES

LOOKING BEYOND THE JUNE ELECTIONS WE SEE FOUR  
MAJOR UNCERTAINTIES FOR U.S. INTERESTS OVER THE  
NEXT TWO YEARS:

1. WILL THE NEXT AND SUCCEEDING GOVERNMENTS  
POSSESS BOTH DEMOCRATIC CREDIBILITY AND THE ABILITY  
TO GOVERN EFFECTIVELY?

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A GOVERNMENT THAT CANNOT GOVERN EFFECTIVELY,  
NO MATTER HOW REPRESENTATIVE IT MAY BE, WILL NOT  
PROMOTE LONG-TERM DEMOCRATIC STABILITY. NOR WILL  
A GOVERNMENT THAT RULES EFFECTIVELY, BUT AT THE  
COST OF DEMOCRATIC CREDIBILITY, SERVE. HENCE, THE  
COMING JUNE ELECTIONS MUST ENGAGE THE MAJOR POLITICAL  
FORCES AND MUST BE VIEWED AS FAIR. THIS DEPENDS ON  
WHETHER THE KING AND THE GOS MAINTAIN THEIR ABILITY  
TO DIALOGUE, CONCILIATE AND COMPROMISE, AND UPON  
THE KING'S RESISTING THE TEMPTATION TO BECOME OVER-  
COMMITTED ON GIVEN ISSUES OR TO GIVEN INDIVIDUALS.  
THE ABILITY TO GOVERN EFFECTIVELY DEPENDS UPON THE  
CONSTRUCTION OF A WORKABLE, CENTRIST-ORIENTED  
PARLIAMENTARY MAJORITY IN THE CONSTITUENT PARLIAMENT  
TO FOLLOW AND, BEYOND THAT, ON A NEW CONSTITUTION  
THAT IS AT ONCE DEMOCRATIC AND AN EFFECTIVE INSTRU-  
MENT OF GOVERNANCE. AND, LINKED TO THIS, THE  
DEVELOPMENT OF A COHERENT POLITICAL PARTY SYSTEM.  
THE GREATEST DANGER TO THE FUTURE OF SPANISH  
DEMOCRACY WILL BE THE FRAGMENTATION OF POLITICAL  
GROUPS WHICH WILL MAKE A COHERENT GOVERNMENT  
DIFFICULT IF NOT IMPOSSIBLE. THE SPANISH WILL HAVE  
MUCH TO DO TO OVERCOME THEIR INCLINATION TO STAKE  
OUT PERSONAL POSITIONS.

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HERE, IF THE LEFT DOES NOT POSE THE SHORT-TERM  
DANGERS IN RESPECT OF POLARIZATION THAT THE RIGHT  
DOES, IN THE MID-TERM THE DEVELOPMENT OF A RESPONSIBLE  
LEFT COULD BECOME THE KEY TO THE MAINTENANCE OF  
POLITICAL STABILITY. THE COMMUNISTS, SMALL NOW,  
LOOK TO EMULATE THE ITALIAN EXPERIENCE AND FEED  
UPON THE DISARRAY IN THE DEMOCRATIC LEFT (ASSORTED  
SOCIALISTS AND SOCIAL DEMOCRATS). THE EUROPEAN-  
RECOGNIZED PSOE OF FELIPE GONZALEZ IS THE MOST

IMPORTANT SOCIALIST GROUP, BUT ITS RELATIVELY  
MODERATE (THOUGH UNCERTAIN IN ITS ATTITUDE TOWARD  
THE U.S.) LEADERSHIP IS PLAGUED BY A RADICAL BASE.  
THE PSOE LEADERS RECOGNIZE THE NEED FOR A MODERATE  
IMAGE LEST THEY FAIL TO REACH THE 15-20 PERCENT OF THE  
VOTE PROBABLY NECESSARY IF THE LEADERSHIP IS NOT TO BE  
OVERTHROWN BY RADICAL ELEMENTS. THUS, THE OUTLOOK  
IS CLOUDED BY THE POSSIBILITY THE SOCIALISTS COULD  
EVOLVE RADICALLY AND THE PCE, #  
SJSE#INTELLIGENT,  
PRESENTLY MODERATELY-P PLQNCOMMUNIST LEADERSHIP  
OF SANTIAGO CARRILPHN COME TO DOMINATE THE LEFT.  
IN THE RELATED, AND CRUCIAL, LABOR FIELD, THE  
SOCIALIST UGT IS NOW THE PRINCIPAL ALTERNATIVE TO  
THE LARGER COMMUNIST-DOMINATED WORKERS COMMISSIONS,  
EVEN THOUGH OTHER ALTERNATIVES MIGHT LATER MATERI-  
ALIZE. THE UGT'S LEADERSHIP IS MODERATE, BUT ITS  
CLOSE ASSOCIATION  
HE PSOE POTENTIALLY SUBJECTS  
IT TO THE VAGARIES OF THE PSOE'S LINE.

2. AFTER ELECTIONS, WILL THE NEW GOVERNMENT  
CONSULT WITH POLITICAL, ECONOMIC AND SOCIAL INTEREST  
GROUPS TO RE-ESTABLISH BUSINESS AND PUBLIC CONFIDENCE  
AND TO UNDERTAKE A BROAD AND WELL-DESIGNED ECONOMIC  
STABILIZATION AND SOCIAL PROGRAM THAT CAN PROVIDE  
THE BASE FOR LONG-TERM ECONOMIC GROWTH AND COMPE-  
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TITIVENESS AS WELL AS SOCIAL PEACE?

TO SUCCEED, THE PROGRAM MUST ADDRESS ECONOMIC/  
FINANCIAL PROBLEMS AND SOCIAL INEQUITIES SIMULTANEOUSLY.  
WITHOUT SUCH A PROGRAM, ECONOMIC CONDITIONS WILL CON-  
TINUE TO WORSEN AND SOCIAL STRAINS WILL BECOME  
SERIOUS. WITH SERIOUS ECONOMIC DETERIORATION  
INTERNAL POLITICAL AND SOCIAL STABILITY WOULD BE  
ERODED, EXTREMISM WOULD BECOME MORE ATTRACTIVE,  
SPAIN'S PROSPECTS FOR BECOMING AN EFFECTIVE MEMBER  
OF THE ATLANTIC COMMUNITY WOULD BE PLACED IN  
JEOPARDY AND US TRADE AND INVESTMENT PROSPECTS  
WOULD SUFFER. THERE WILL BE A TEMPTATION FOR THE  
GOVERNMENT TO CONTINUE TO DELAY FACING UP TO THE  
REALITIES OF THE ECONOMIC SITUATION, BUT DELAY WOULD  
BE VERY COSTLY ECONOMICALLY, AND ALSO PROBABLY IN  
THE END POLITICALLY.

3. WILL SPAIN AND EUROPE MOVE EXPEDITIOUSLY  
TOWARDS SPANISH INTEGRATION INTO NATO AND THE EEC?

THE PERSISTENCE OF RESERVATIONS BOTH IN SPAIN AND EUROPE OFFERS NO RELIEF FROM UNCERTAINTY. WITH RESPECT TO NATO, EUROPEAN RESERVATIONS SHOULD BECOME MANAGEABLE IF THE DEMOCRATIC PROCESS IS SEEN AS CREDIBLE, BUT SPANISH RESERVATIONS DISCUSSED ELSEWHERE COULD PREVENT SPANISH MEMBERSHIP IN NATO. MOREOVER, NOTWITHSTANDING US EFFORTS TO FOCUS SPANISH CONSIDERATION ON FULLY JOINING NATO, AN ARRANGEMENT ALONG THE LINES ENJOYED BY FRANCE HAS STRONG APPEAL HERE.

IN THE EEC CONTEXT, THE ECONOMIC ISSUES--WITH DOMESTIC POLITICAL OVERTONES--POSED BY THE BARRIERS TO SPANISH EXPORTS OF THE EEC'S COMMON AGRICULTURAL POLICY AND FRENCH AND ITALIAN VESTED INTERESTS, SECRET

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AND THE BARRIERS TO EUROPEAN EXPORTS POSED BY THE PROTECTION AFFORDED SPANISH INDUSTRY, WILL MAKE AGREEMENT DIFFICULT. INVOCATION OF OVER-RIDING POLITICAL INTERESTS ON BOTH SIDES PROBABLY WILL BE NECESSARY TO ACHIEVE EVENTUAL AGREEMENT.

4. WILL THE SPANISH MILITARY EVENTUALLY KICK OVER THE TRACES?

THE MILITARY (THE ARMY COUNTS MOST) HAS COME A LONG WAY SINCE FRANCO'S DEATH, INFLUENCED BY THE MODERNIZING CURRENTS IN SPANISH SOCIETY. THE SENIOR MILITARY, WHO DATE TO THE CIVIL WAR, HAVE GRUMBLING AT CHANGE AND MANY (NOT ONLY THE SENIOR OFFICERS) ARE UNHAPPY ABOUT BOTH THE SUBSTANCE OF PCE LEGALIZATION AND THE WAY IT WAS DONE. NONETHELESS MOST TAKE THEIR LOYALTY TO THE KING SERIOUSLY, EVEN THOUGH FAR-RIGHTISTS, INCLUDING SOME RETIRED GENERALS, MAY WELL BE ENGAGED IN A MODEST AMOUNT OF COUP TALK. HOWEVER, THEY HAVE ACCEPTED AN ENORMOUS AMOUNT OF CHANGE ALREADY AND THERE SHOULD BE NO MORE SHOCKS OF THE MAGNITUDE OF THE PCE LEGALIZATION TO BE ADMINISTERED IN THE NEAR TERM. THE IMMEDIATE QUESTION THEREFORE SEEMS TO BE JUST HOW MUCH OF A ROLE SOME SENIOR MILITARY FIGURES WILL PLAY IN SUPPORTING THE INTERESTS OF THE AP.

IN THE MID-TERM, WE JUDGE THE MILITARY ISSUE DEPENDS ON THE MAINTENANCE OF A RESPECTABLE LEVEL OF PUBLIC ORDER (WHICH DEPENDS IN TURN TO CONSIDERABLE DEGREE ON SUCCESS IN DEALING WITH ECONOMIC/SOCIAL ISSUES) AND THE AVOIDANCE OF STEPS THAT WOULD SEEM TO AFFECT THE INTEGRITY OF THE SPANISH STATE (I.E.,

PROMPTION OF SEPARATISM AS DISTINCT FROM A MEASURE  
OF REGIONAL AUTONOMY). ONE CAN, OF COURSE, CONSTRUCT  
A WORST-CASE SCENARIO IN WHICH, AFTER ELECTIONS,  
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FAILURES IN THE NEW PARLIAMENTARY SYSTEM, CONTINUING  
ECONOMIC DETERIORATION, AND GROWING DISTURBANCES  
COULD IN TIME BRING ON MILITARY ACTION. US SUPPORT  
FOR DEMOCRATIZATION WOULD CONSTRAIN THE MILITARY,  
BUT PROBABLY LESS THAN WE LIKE TO BELIEVE. IN THIS  
SENSE, THE PAST IS SOMEWHAT WITH US, AND THE IM-  
PORTANCE OF THE NEW GOVERNMENT GOVERNING WELL IN  
ADDITION TO WRITING A NEW CONSTITUTION IS UNDERLINED.

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NSC-05 TRSE-00 USIA-06 /095 W  
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R 221800Z APR 77

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USMISSION EC BRUSSELS  
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POLAD CINEUR STUTTGART  
POLAD CINUSAFE RAMSTEIN  
POLAD CINUSAREUR HEIDELBERG  
POLAD SHAPE BRUSSELS

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C. OBJECTIVES AND COURSES OF ACTION (OVER THE NEXT ONE TO TWO YEARS.) INTERESTS AND THE AMBIANCE IN WHICH WE WORK HAVING BEEN STATED, WE CAN NOW TURN TO OBJECTIVES AND COURSES OF ACTION.

OBJECTIVE ONE: EFFECTIVE U.S. SUPPORT FOR THE DEMOCRATIZATION PROCESS. WHILE U.S. SUPPORT (AS WELL AS THAT OF WESTERN EUROPE) IS IMPORTANT, ONLY THE SPANISH THEMSELVES CAN CARRY OFF THE PROCESS. THE AIM IS FOR GOVERNMENT THAT IS AT ONCE DEMOCRATIC, STABLE, EFFECTIVE AND MODERATE. RECOMMENDED COURSES OF ACTION ARE:

- TIMELY PUBLIC STATEMENTS, SUCH AS THE PRESIDENT'S REMARKS IN HIS UN SPEECH, SUPPORTIVE OF THE DEMOCRATIZATION PROCESS.
- EXCHANGES OF HIGH-LEVEL VISITS.
- CONTINUED CLOSE RELATIONS WITH THE KING AND THE GOVERNMENT OF THE DAY, WITHOUT NURTURING AN IMPRESSION OF SPANISH DEPENDENCE OR PARTISAN US INVOLVEMENT.
- CONTINUED BROAD CONTACTS WITH ALL DEMOCRATIC, POLITICAL, ECONOMIC, AND LABOR GROUPS, UTILIZING FULLY THE EXCHANGE OF PERSONS PROGRAM (IVP LEADER GRANTS) AND FACILITATIVE ASSISTANCE FOR POLITICAL FIGURES WHO VISIT THE UNITED STATES ON THEIR OWN, PLUS ANY PRIVATE EXCHANGE PROGRAMS INCLUDING THE POLITICALLY AWARE.
- ENCOURAGEMENT OF WEST EUROPEAN GOVERNMENT, POLITICAL PARTIES AND FREE LABOR ORGANIZATIONS TO PLAY A CONSTRUCTIVE ROLE.
- IN THE CONTEXT OF PRESENT US POLICY ON CONTACTS WITH COMMUNISTS IN CERTAIN EUROPEAN COUNTRIES, CERTAIN DESIGNATED LOWER-LEVEL OFFICERS OF THE EMBASSY WILL COMMENCE LOW-KEY AND LOW-LEVEL CONTACTS WITH THE PCE AFTER THE JUNE ELECTIONS AND AFTER

PRIOR INFORMATION TO THE SPANISH GOVERNMENT. THESE  
CONTACTS, UNDER THE CLOSE DIRECTION AND CONTROL  
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OF THE AMBASSADOR, WILL BE TAILORED TO THE PARTY'S  
RELATIVELY MODEST ELECTORAL STRENGTH, DESIGNED TO  
GAIN US A GREATER APPRECIATION OF THE PARTY'S  
DIRECTION AND ITS PERSONALITIES AND POSSIBLY OFFER-  
ING A MOST LIMITED OPPORTUNITY TO INFLUENCE ATTITUDES.  
A DISSENT. THE DISSENTING VIEW IS THAT WE  
SHOULD NOT HAVE ANY CONTACTS WITH THE PCE SINCE IT  
WILL ADD TO THEIR PRESPPGE AND ANGER SECTORS OF THE  
SPANISH MILITARY.

OBJECTIVE 2. SUPPORT FOR A COMPREHENSIVE THOUGH  
PHASED STABILIZATION PROGRAM (INCLUDING MESAURES THAT  
WOULD MAKE FOR A MORE EQUITABLE SHARING OF THE  
BURDEN) TO BEGIN AS SOON AS POSSIBLE AFTER ELECTIONS  
AND TO EXTEND OVER A NUMBER OF YEARS, THOUGH:

--DIRECTLY URGINIG SPANISH LEADERSHIP TO BEGIN  
THE ELABORATION OF SUCH A PROGAM TO BE CARRIED OUT  
IN A MULTILATERAL FRAMEWORK WITH THE ASSISTANCE OF IMF.

--ASKING OTHERS, PARTICULARLY THE WEST GERMAN  
GOVERNMENT AND THE OECD, TO MAKE THE SAME RECOM-  
MENDATION.

--SUPPORT IN THE IMF FOR ASSISTANCE TO A SOUND  
PROGRAM.

--MAINTENANCE OF OPEN US MARKETS FOR SPANISH  
GOODS. (IN THIS LATTER REGARD, PRESIDENT CARTER'S  
ACTION WITH REGARD TO SHOES IN VERY HELPFUL FOR BOTH  
ITS ECONOMIC AND ITS FAVOERABLE POLITICAL IMPACT.)  
IT IS POSSIBLE--PERHAPS EVEN LIKELY--THAT SPAIN  
WILL REQUEST BILATERAL US GOVERNMENT FINANCIAL  
ASSISTANCE, TOGETHER WITH US SUPPORT FOR COMPLEMENTARY  
ASSISTANCE FROM OTHER SOURCES, SO THAT IT MAY POST-  
PONE OR SOFTEN POLITICALLY UNPOPULAR STABILITY  
MEASURES.

THE EMBASSY BELIEVES THE US RESPONSE SHOULD BE  
(A) THAT ANY ASSISTANCE TO SPAIN WOULD HAVE TO BE A  
MULTI-LATERAL EFFORT DEPENDING PRIMARILY ON THE  
RESOURCES OF INTERNATIONAL FINANCIAL INSTITUTIONS  
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AND PRIVATE BANKS GEARED TO A WELL-CONVEIVED  
STABILIZATION PLAN, (B) EARLY CONSULTATIONS WITH  
THE IMF SHOULD BE UNDERTAKEN, AND (C) DIRECT US  
ASSITANCE IS NOT POSSIBLE AT THIS TIME.

DISSENT TO OBJECTIVE 2:

SOME EMBASSY OFFICERS, WHILE AGREEING THAT SPAIN MUST GET ITS ECONOMIC HOUSE IN ORDER, ARE CONCERNED THAT STABILIZATION MEASURES, IF THEY ARE OF THE STIFFNESS SOMETIMES ASSOCIATED WITH THE IMF, WOULD RUN COUNTER TO US INTERESTS ON THE IBERIAN PENINSULA. THEY FEAR THAT A BELT-TIGHTENING PROGRAM, UNLESS THE OUTSIDE ACTORS (E.G. THE IMF, CONCERNED ELEMENTS OF THE USG) SHOW A REAL PERCEPTION OF THE SOCIAL DYNAMICS IN THE ISSUE, COULD IMPACT MOST HEAVILY ON SPANISH LABOR AND LEAD TO POLITICAL DESTABILIZATION, WITH US LABELED AS CAUSATIVE AGENTS.

OBJECTIVE 3. ENCOURAGEMENT OF FULL SPANISH MEMBERSHIP IN NATO BEFORE THE 1981 EXPIRATION OF THE TREATY OF FRIENDSHIP AND COOPERATION, THOUGH:

--CONTINUED CAREFUL MANAGEMENT OF THE US EFFORT SO AS TO MINIMIZE POLITICAL CONTROVERSY OVER THE ISSUE IN SPAIN OR AMONG THE ALLIES.

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ACTION EUR-12

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R 221800Z APR 77

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C O R R E C T E D C O P Y FOR MRN /MADRID 3119 VICE 31199/

--UTILIZATION OF THE BILATERAL TREATY TO PROMOTE SPANISH TIES TO THE ALLIANCE VIA SUCH AVENUES AS INFORMATION EXCHANGE; COMBINED US-SPANISH MILITARY PLANNING; JOINT MILITARY PRODUCTION; PROMOTION OF WEAPON STANDARDIZATION, COMPATIBILITY OF MILITARY ORGANIZATION AND HARMONIZATION OF OPERATIONS PROCEDURES; AND JOINT TRAINING AND EXERCISING.

--TO THE SAME END, ENCOURAGEMENT OF A PATTERN OF INCREASING SPANISH CONTACTS WITH THE ALLIES AND GRADUALLY WITH NATO ITSELF.

--MAINTENANCE OF THE DIALOGUE WITH THE ALLIES ON SPAIN, INCLUDING ENLISTING BRITISH INGENUITY TOWARD REMOVING GIBRALTAR AS AN OBSTACLE TO SPANISH MEMBERSHIP, AND PERSUASION OF THOSE NATO COUNTRIES THAT MIGHT WISH TO DELAY SPANISH ENTRY THAT EXPEDITIOUS ACTION AFTER THE MID-1977 ELECTIONS IS IN THEIR SECURITY AND POLITICAL INTEREST.

OBJECTIVE 4. MEANWHILE, MAINTENANCE OF CLOSE AND HEALTHY BILATERAL RELATIONS IN THE CONTEXT OF THE TREATY OF FRIENDSHIP AND COOPERATION, THOUGH:

--ATTENTION TO SPANISH INTERESTS ESSENTIAL TO CONFIDENCE IN THE RELATIONSHIP, INCLUDING OPEN US MARKETS, AVAILABILITY OF ENRICHED URANIUM AND OF ENERGY TECHNOLOGY ASSISTANCE, MODIFICATION OF THE STATUS OF GIBRALTAR, AND MODERNIZATION OF THE SPANISH ARMED FORCES.

IN THE LATTER REGARD, THE GOS HAS GIVEN MODERNIZATION OF THE SPANISH MILITARY LOWER PRIORITY THAN OTHER NATIONAL OBJECTIVES IN RECENT YEARS. HOWEVER, THERE IS GROWING SUPPORT IN SPAIN FOR REFORMS DESIGNED TO TRANSFORM THE MILITARY INTO A MORE UNIFIED, SMALLER, BETTER EQUIPPED, MORE PROFESSIONAL FORCE, ORIENTED MORE TO NATIONAL DEFENSE AND LESS

TO POTENTIAL DOMESTIC USES. SPAIN PERCEIVES THIS TO BE  
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IMPORTANT WHETHER OR NOT SPAIN OWES RAPIDLY TO ENTER  
NATO. IT WILL BE IN THE INTEREST OF THE US AND ITS  
NATO ALLIES TO BE AS RESPONSIVE AS POSSIBLE IN THIS  
AREA, COMPLEMENTING RATHER THAN COMPETING WITH EACH  
OTHERS' EFFORTS.

US SECURITY ASSISTANCE IS PARTICULARLY INDICATED  
IN THE FIELDS OF PROCUREMENT OF WEAPONS SYSTEMS IN  
USE IN NATO, DEVELOPMENT OF A SPANISH MILITARY  
INDUSTRIAL BASE, ADEQUATE SUPPORT TO SUCH SYSTEMS  
AND GUIDANCE OF REORGANIZATION AND OPERATIONAL  
REFORMS TOWARD NATO STANDARDS.

--ENLARGEMENT OF THE SPHERE OF COOPERATIVE  
ACTIVITIES ON THE JOINT-USE BASES IN SUCH FIELDS AS  
JOINT TRAINING AND OPERATIONS AND SHARED LOGISTICAL  
SYSTEMS.

--ENCOURAGEMENT OF LARGER ROLES FOR ALLIED  
MILITARY ESTABLISHMENTS THROUGH JOINT TRAINING AND  
EXERCISING, INCLUDING POSSIBLE SHARED USE OF AIR-  
TO-GROUND AND AIR-TO-AIR RANGES; NEGOTIATIONS OF  
TRANSIT RIGHTS; AND LINKAGE OF AIR DEFENSE AND ASW  
SYSTEMS.

--ENDEAVORS TO PERSUADE SPAIN, IN CASE OF NEED,  
TO BE FORTHCOMING IN CRISIS SITUATIONS IN WHICH US  
AND SPANISH INTERESTS MAY NOT COINCIDE.

--CONTINUING STUDIES WITH RESPECT TO THE EXTENT  
OF OUR MILITARY NEEDS IN SPAIN TO BE PREFERRED TO  
REDUCE IF OUR NEEDS LESSEN AND/OR THE SPANISH  
POLITICAL SITUATION MAY MAKE SUCH REDUCTIONS  
PRUDENT.

OBJECTIVE 5. ENCOURAGEMENT OF SUBSTANTIAL SPANISH  
PROGRESS TOWARD ENTRY INTO THE EEC (WHILE RECOGNIZING  
THAT THESE NEGOTIATIONS PROBABLY WILL TAKE CONSIDERABLY  
MORE THAN TWO YEARS), THOUGH:

--MAKING IT KNOWN TO THE EEC, ITS MEMBERS AND  
SPAIN THAT THE UNITED STATES FAVORS SUCH ENTRY FOR  
OVER-RIDING POLITICAL STRATEGIC REASONS, QUITE ASIDE

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FROM SUCH DEBATE AS THERE DOUBTLESS WILL BE OVER  
ECONOMIC ISSUES.

OBJECTIVE 6. ENCOURAGEMENT OF DEMOCRATIC TRADE  
UNIONS, PARTICULARLY THE UGT AND OTHER IMPORTANT  
UNIONS SUCH AS THE BASQUE STV, THOUGH:

--CONTINUED BROAD CONTACTS WITH DEMOCRATIC  
TRADE UNIONS.  
--FACILITATED AFL-CIO AND OTHER US TRADE UNION  
(E.G. THE UAW) PROGRAMS OF FRATERNAL ASSISTANCE.  
--INCREASED EXCHANGE OF VISITS BETWEEN SPANISH  
AND AMERICNA LABOR LEADERS.  
--ENCOURAGEMENT OF CLOSER LINKS BETWEEN THE  
DEMOCRATIC TRADE UNIONS AND (A) THEIR WESTERN EUROPEAN  
COUNTERPARTS, AND (B) APPROPRIATE INTERNAIONAL LABOR  
ORGANIZATIONS SUCH AS THE ICFTU AND CERTAIN INTER-  
NATIONAL TRADE SECRETARIATS (ITS).  
OBJECTIVE 7. THE MAINTENANCE OF OUR POSITION AS  
SUPPLIER FOR SPAIN'S NUCLEAR ENERGY DEVELOPMENT  
PROGRAM FOR SPAIN'S NUCLEAR ENERGY DEVELOPMENT  
PROGRAM WITH STRENGTHENED SAFEGUARD CONTROLS, THOUGH:  
--EARLY RENEGOTIATION OF OUR BILATERAL NUCLEAR  
COOPERATION AGREEMENT, ALSO TO INCLUDE INCREASED  
REPROCESSING CONTROLS.

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POLAD SHAPE BRUSSELS

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--ASSURANCES TO SPAIN ON US RELIABILITY AS A  
FUEL SUPPLIER.

OBJECTIVE 8. SPANISH ADHERENCE TO THE NUCLEAR NON-  
PROLIFERATION TREATY (NPT) (WHILE RECOGNIZING THAT  
SPAIN IS UNLIKELY TO TAKE THIS STEP DURING THE  
CONSTITUENT PERIOD AND BEFORE ENTRY INTO NATO).

OBJECTIVE 9. INCREASED US-SPANISH COORDINATION AND  
COOPERATION IN MULTI-LATERAL FORUMS AND VIS-A-VIS  
LATIN AMERICA, THE MEDITERRANEAN AND THE MIDEAST,  
THROUGH:

--TRYING TO MINIMIZE POTENTIAL POINTS OF CON-  
FLICT, RECOGNIZING THAT SPAIN'S GROWING ACTIVITY IN  
THESE AREAS WILL BRING ON SOME FRICTION, AND WORKING  
TOWARD GREATER COORDINATION AND EXCHANGES OF INFOR-  
MATION AS A MEANS OF MAKING, FROM OUR POINT OF VIEW,  
SPAIN'S EMERGING ROLE A CONSTRUCTIVE ONE.

--ENCOURAGING OUR EUROPEAN PARTNERS TO CONSULT  
WITH THE SPANISH ON ISSUES (MOSTLY IN MULTI-LATERAL  
FORUMS) ON WHICH THEIR VIEWS WOULD HAVE PARTICULAR  
EFFECTIVENESS.

--EVENTUALLY SUPPORTING SPAIN'S DESIRE FOR A  
UN SECURITY COUNCIL SEAT.

OBJECTIVE 10. A NEW RADIO LIBERTY AGREEMENT WITH  
THE SPANISH, FOR LONGEST PERIOD OF TIME POSSIBLE,  
THROUGH:

--EXPLORATION OF SPANISH VIEWS AFTER ELECTIONS.

--WHEN SPANISH ARE READY AND ASSUMING NO CHANGE  
IN PRESENT SPANISH ATTITUDE, SUBMISSION OF US  
PROPOSALS, TAILORED TO PROVIDE THE SPANISH WITH  
ELEMENTS IN THE AGREEMENT THAT MAKE IT SEEM MORE  
BENEFICIAL TO THEM (E.G. A 50% SHARE OF THE BROAD-  
CAST TIME IF THEY ARE INTERESTED).

--USE OF THE HELSINKI PROVISIONS OF FREE FLOW  
OF INFORMATION AND THE PORTUGUESE RFE AGREEMENT IN  
SUPPORT OF THE SPANISH AGREEMENT. STABLER

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